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OFFICE OF NATIONAL ESTIMATES

5 March 1954

MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE
(Draft for Board Consideration)

SUBJECT: The Outlook in Iran

1. Recent developments in Iran have been generally in accordance with the analysis contained in NIE-102, "Probable Developments in Iran through 1954," published on 10 November 1953. Although a revision of NIE-102 at this time would contain some changes in emphasis on certain points, we do not believe they would be sufficient to warrant such a revision before the one now scheduled for the fourth quarter of 1954. The principal changes are summarized below.

2. Developments thus far are not inconsistent with the conclusion of NIE-102 that "relatively moderate governments are likely to continue in Iran through 1954," but will be hampered by the Shah's indecision and inconstancy and by political irresponsibility and demagogery, both in and out of the Majlis. However, NIE-102, particularly in the Discussion, did tend to overstate the magnitude of these difficulties and to underestimate the Zahedi government's ability to cope with them.

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3. The estimate in NIE-102 that Zahedi's chances of holding on through all of 1954 are "not good" does not take account of the restraining influence which has been exercised on the Shah thus far by his recognition that a man of Zahedi's caliber would be hard to find and by his fear of incurring US-UK opposition. So long as the Shah continues to believe that the situation requires a strong premier and so long as he is convinced that the US and the UK feel it essential that Zahedi remain, he will probably hesitate to go too far toward undermining the prime minister's position.

4. It also appears that the job of keeping the warring politicians under control may be somewhat less formidable than was suggested in NIE-102. The government appears to be getting through the critical electoral period with far less difficulty than was anticipated. It has not only been spared the increased political tension and instability which was expected to develop out of the electoral campaign, but has also been far more successful than was contemplated in NIE-102 in getting an official slate of candidates elected. Admittedly, the level of ability, honesty, and political reliability among the government-supported deputies elected thus far is not high; the government will almost certainly have to bestir itself to hold a working majority together. Moreover, the current weakness and disunity of the government's opponents and the passivity of the general public will not last forever. Nevertheless, there is reason to

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believe that the government, having seized the political initiative, may be able to hold on to it for some time to come if it is sufficiently forceful.

5. In the last analysis the future of moderate leadership in Iran will depend not only on the vigor with which it maintains itself, but also on the success of the forthcoming oil negotiations, Western preparations for which now appear to be reaching the final stage. One hopeful sign is that the Iranians appear somewhat more amenable to a "realistic" solution than appeared to be the case when NIE-102 was completed. In their present passive mood, the Iranian people appear prepared to accept almost any sort of agreement which makes some minimum provision for national pride. However, it is still unclear whether the oil companies -- particularly AIOC -- are prepared to offer the Iranians an arrangement which they can accept and live with in peace. A successful solution may thus largely depend on US effectiveness in insisting on political realism in the negotiations and on prompt action to take advantage of the present favorable climate of opinion in Iran.

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